

case W92C52
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GoodBelly: Using Statistics to Justify the Marketing Expense

GoodBelly was a new line of probiotic juice products produced by Colorado-based NextFoods Inc. NextFoods was founded by Steve Demos, the founder of WhiteWave Inc., and Todd Beckman, a former vice president at WhiteWave Foods Company—the US's largest producer of soy-based products, including Silk Soymilk. Since its first product launch in January of 2008, GoodBelly products were now on the shelves of nationwide retailers such as Whole Foods Market Inc. and Safeway Inc.

Probiotics are live bacteria that are beneficial to the host organism. Probiotics and other pathogens enter the bloodstream through the stomach lining. Over 100 trillion bacteria and other microorganisms live in the intestines, and the influx of good bacteria can aid digestion and support the immune system. By 2008, the global market for probiotic and prebiotic food and beverages was substantial, at \$15.4 billion, and still growing. Probiotic products grew between 5% and 30% in 2008—exceptional growth considering that the overall food market grew only 1-2%. There were hundreds of probiotic products on the market, from yogurt to pizza to chocolate. Perhaps the most notable brand was Activia, a family of yogurts produced by The Dannon Company Inc. Activia contained a proprietary strain of Bifidobacterium called Bifidobacterium animalis DN 173 010, which sparked an increase in probiotic awareness in the US.

Figure 1
GoodBelly Products



Source: GoodBelly.com. 31 March 2012.

GoodBelly products were organic juice-based drinks (see **Figure 1**). While most probiotic products were dairy-based, GoodBelly's products were dairy-free, soy-free, and vegan. All GoodBelly products used live and active cultures of a proprietary probiotic strain called Lactobacillus plantarum299v (Lp299v), which had been used in Europe for more than 15 years and thoroughly tested in over 17 research trials.

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©2012 Hyun-Soo Ahn and Caroline Dickerson. This case was written by Hyun-Soo Ahn, Associate Professor of Operations and Management Science at the Ross School of Business at the University of Michigan, and Caroline Dickerson, a Ross MBA. This case was prepared as the basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Company data were disguised to protect proprietary information and enable class discussion.

Promotional Programs

Initially, GoodBelly had the challenge of raising product awareness, particularly about the benefits of probiotics and the great taste. As a recent start-up in the fairly new probiotic market, GoodBelly did not have the funding to place nationwide advertisements. It instead allocated much of its small marketing budget to in-store demonstrations. GoodBelly believed that the key to selling products was through customer trials. Demonstrations provided the perfect opportunity to meet consumers, educate them about probiotics, and get them to taste the product.

The company's in-store demo program was launched in November of 2009. The program originally targeted all stores that carried GoodBelly products. However, after a few months of trials, management noticed that exposure at smaller stores was very limited and that demonstrations were only effective in stores with sufficient foot traffic. As a result, management modified the program to focus only on Whole Foods stores, which represented approximately 75% of sales in 2009.

During in-store demonstrations, GoodBelly representatives handed out product samples. The representatives were people hired for part-time work through local service outsourcing agencies. Before conducting demonstrations, representatives received training so that they could answer all questions about probiotics and GoodBelly products. For a typical demonstration, a representative arrived at a specified store, set up a table (preferably near the product in the store), and arranged the product on the table. For the next three hours, he or she then distributed samples, informed consumers about the product, and offered coupons to inspire purchase. Later, the representative wrote up a report that included: the store, date and time, what products sold, how much product was used as samples, and the questions asked by customers. The report was then faxed to GoodBelly managers.

Another promotional program involved competitions among the five GoodBelly sales representatives for the most endcap displays. The endcap is the hub at the end of an aisle—one of the store's most popular locations. Sales representatives competed for the highest number of stores they could convince to place GoodBelly's products at the endcap. The winning sales representative received a big-screen television. There was also a competition among Whole Foods stores for the best-decorated endcap—an example of which can be seen in **Figure 2**. The winning store received GoodBelly sweatshirts, cases of product for the employees, and gift cards.

Figure 2
GoodBelly Endcap Displays



Source: GoodBelly company documents, 2012.

Justifying the Expense

Due to limited marketing resources, management was pressured to cut any marketing expense that did not directly contribute to GoodBelly's results. By July of 2010, several concerns were raised within the company about the effectiveness of the in-store demo program. Some questioned whether the demos

boosted sales at all, while others were concerned that any boost was only temporary and that sales would revert to normal levels shortly afterward. Some executives questioned whether the increase in sales volume could justify the associated costs. Similar concerns were raised for the endcap competition, even though management was convinced that the competition at least raised morale among sales representatives.

At the senior manager meeting in July of 2010, GoodBelly management expressed concerns about the promotional budget and asked Marty Wellbeing, GoodBelly's marketing manager, to justify the demo and endcap activities. Wellbeing strongly believed that, unless he could convince management of the programs' efficacy, his department would be hit for budget reduction.

Wellbeing returned to his computer after the meeting. He pored over the sales and promotion spreadsheet from the last few months. Though he knew the information in **Exhibit 1**, he could not immediately decipher the answers that would save his department's budget. Wellbeing recognized that statistics could be used to help his case, but was afraid that none of his staff members were perfectly suited for the job—all the marketing staffers were former field sales consultants. He then remembered that GoodBelly's new intern Caroline Dickerson had taken a statistics course. He asked Dickerson to assess the GoodBelly sales spreadsheet and identify, if any, the impact of the in-store demos and endcap promotions. He cautioned Dickerson that several senior managers, most notably GoodBelly's Chief Financial Officer Maggie Mathedoittir, would expect recommendations to be firmly backed with statistical data.

Exhibits

Exhibit 1**Explanation of GoodBelly Sales Spreadsheet**

The data came from 126 Whole Foods stores over the 10 weeks between May 4 and July 13. There was a total of 1,386 observations.

Variable Definitions

1. Weekly Sales (Volume): The number of units sold per store per week.
2. Average Retail Price: The average retail price for GoodBelly products per store per week.
3. Sales Rep: Defined as 1 if the store had a regional sales rep (face-to-face contact) and 0 if the store had only the national sales rep (no face-to-face contact).
4. Endcap: Defined as 1 if a store participated in an endcap promotion.
5. Demo: Defined as 1 if the store had a demo on the corresponding week.
6. Demo1-3: Defined as 1 if the store had a demo 1-3 weeks ago.
7. Demo4-5: Defined as 1 if the store had a demo at least 4-5 weeks ago.
8. Natural Retailers: The number of other natural retailers within 5 miles of each store.
9. Fitness Centers: The number of fitness centers within 5 miles of each store.

The spreadsheet has multiple tabs, some of which include the case answers. If the instructor distributes the spreadsheet as a homework assignment, he or she should delete these tabs.

Endnotes

¹ "It's an Inside Job." *GoodBelly.com*. Accessed 18 May 2012.

² Gray, Lynn. "Boosting Immunity Through Digestion: The Relation Among Probiotics, Prebiotics and Digestive Enzymes." *Packaged Facts*. October 2009: 1-265.

³ Gray.

Notes

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Established at the University of Michigan in 1992, the **William Davidson Institute** (WDI) is an independent, non-profit research and educational organization focused on providing private-sector solutions in emerging markets. Through a unique structure that integrates research, field-based collaborations, education/training, publishing, and University of Michigan student opportunities, WDI creates long-term value for academic institutions, partner organizations, and donor agencies active in emerging markets. WDI also provides a forum for academics, policy makers, business leaders, and development experts to enhance their understanding of these economies. WDI is one of the few institutions of higher learning in the United States that is fully dedicated to understanding, testing, and implementing actionable, private-sector business models addressing the challenges and opportunities in emerging markets.